

IN THE UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK

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	:	
In re	:	Chapter 11
	:	
DELPHI CORPORATION, <u>et al.</u> ,	:	Case No. 05-44481 (RDD)
	:	
Debtors.	:	(Jointly Administered)
	:	
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AFFIDAVIT OF SERVICE

I, Evan Gershbein, being duly sworn according to law, depose and say that I am employed by Kurtzman Carson Consultants, LLC, the Court appointed claims and noticing agent for the Debtors in the above-captioned cases.

On July 18, 2006, I caused to be served the documents listed below upon the parties listed on Exhibit A hereto via overnight delivery:

- 1) Fourth Supplemental Order Under 11 U.S.C. Section 331 Establishing Procedures for Interim Compensation and Reimbursement of Expenses of Professionals (Docket No. 4545) [a copy of which is attached hereto as Exhibit B]

On July 18, 2006, I caused to be served the documents listed below upon the parties listed on Exhibit C hereto via overnight delivery:

- 2) Debtors' Omnibus Response to Objections and Response to Supplement to KECP Motion (Docket No. 213) Seeking Authority to: (A) Fix Second Half 2006 AIP Targets and Continue AIP Program And (B) Further Adjourn KECP Emergence Incentive Program Hearing (Docket No. 4586) [a copy of which is attached hereto as Exhibit D]

Dated: July 19, 2006

/s/ Evan Gershbein  
Evan Gershbein

Subscribed and sworn to (or affirmed) before me on this 19th day of July, 2006, by Evan Gershbein, personally known to me or proved to me on the basis of satisfactory evidence to be the person who appeared before me.

Signature : /s/ Shannon J Spencer

Commission Expires: 6/20/10

# **EXHIBIT A**

Company Name	Notice Name	Address 1	Address 2	City	State	Zip	Country	Phone	Fax	Email
Banner & Witcoff LTD	Charles W Shifley, Binal J Patel	10 S Wachter Dr	Ste 3000	Chicago	IL	60606		312-463-5000		
Blake, Cassels & Graydon LLP	Susan M Grundy	Box 25, Commerce Court West	199 Bay St	Toronto	Ontario	M5L 1A9	Canada	416-863-2572	416-863-2563	<a href="mailto:susan.grundy@blakes.com">susan.grundy@blakes.com</a>
Butzel Long PC	Thomas B Radom, Matthew E Wilkins	100 Bloomfield Hills Parkway	Ste 200	Bloomfield Hills	MI	48304		248-258-1616		
Cadwalader, Wickersham & Taft LLP	James K Robinson, Phillip Urofsky	1201 F St	NW Ste 1100	Washington	DC	20004		202-862-2200	202-862-2400	
Cantor Colburn LLP	Daniel E Bruso	55 Griffin Rd S		Bloomfield	CT	06002		860-286-2929	860-286-0115	
Dickinson Wright PLLC	Dawn R Copley	500 Woodward Ave	Ste 4000	Detroit	MI	48226		313-223-3500		
Mayer, Brown, Rowe & Maw LLP	Michael P Richman	1675 Broadway		New York	NY	10019		212-506-2500	212-262-1910	
Howard & Howard Attorneys PC	Jeff A Sadowski, Tamika A Bryant	39400 Woodward Ave	Ste 101	Bloomfield Hills	MI	48304		248-723-0318		
Jaeckle Fleischmann & Muegel LLP	Ronald J Kisicki, Joseph W Allen	12 Fountain Plaza		Buffalo	NY	14202-2292		716-856-0600		
Jefferies & Co, Inc	William Q Derrough	520 Madison Ave		New York	NY	20022		212-284-2521		
Frank/Gecker LLP	Joseph D Frank, Jeremy C Kleinman	325 N LaSalle St	Ste 625	Chicago	IL	60610		312-276-1400	312-276-0035	
King & Spalding LLP	H Slayton Dabney Jr Esq, Samuel S Kohn Esq	1185 Ave of the Americas		New York	NY	10036		212-556-2100	212-556-2222	
Price Heneveld Cooper DeWitt & Litton LLP	Kevin T Grzelak	695 Kenmoor Ave SE	PO Box 2567	Grand Rapids	MI	49501		616-949-9610		
Quinn Emanuel Urquhart Oliver & Hedges LLP		856 S Figueroa St	10th Fl	Los Angeles	CA	90017				
Rader, Fishman & Grauer PLLC	Leigh C Taggart	39533 Woodward Ave	Ste 140	Bloomfield Hills	MI	48304		248-594-0600	248-594-0610	
Steven Hall & Partners LLC	Pearl Meyer	645 Fifth Ave		New York	NY	10022		212-488-5400	212-888-8706	<a href="mailto:pmeyer@shallpartners.com">pmeyer@shallpartners.com</a>
Thompson Hine LLP	Robert T Barnard, Joseph B Koczko	One Chase Manhattan Plaza	58th Fl	New York	NY	10005-1401		212-344-5680	212-809-2890	<a href="mailto:robert.barnard@thompsonhine.com">robert.barnard@thompsonhine.com</a> <a href="mailto:joseph.koczko@thompsonhine.com">joseph.koczko@thompsonhine.com</a>
Thompson Hine LLP	Lawrence T Burick	10 W Second St	2000 Courthouse Plaze NE	Dayton	OH	45402-1758		937-443-6625	937-443-6635	<a href="mailto:larry.burick@thompsonhine.com">larry.burick@thompsonhine.com</a>
Wilmer Cutler Pickering Hale and Dorr LLP	Charles Davidow	1875 Pennsylvania Ave NW		Washington	DC	20006		202-663-6000		

## **EXHIBIT B**

UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK

-----x  
: In re : Chapter 11  
: :  
: DELPHI CORPORATION, et al., : Case No. 05-44481 (RDD)  
: :  
: Debtors. : (Jointly Administered)  
: :  
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FOURTH SUPPLEMENTAL ORDER UNDER 11 U.S.C. § 331  
ESTABLISHING PROCEDURES FOR INTERIM COMPENSATION  
AND REIMBURSEMENT OF EXPENSES OF PROFESSIONALS

("FOURTH SUPPLEMENTAL INTERIM COMPENSATION ORDER")

Upon the motion, dated October 8, 2005 (the "Motion"),<sup>1</sup> of Delphi Corporation and certain of its subsidiaries and affiliates, debtors and debtors-in-possession in the above-captioned cases (collectively, the "Debtors"), for an order under section 331 of title 11 of the United States Code, 11 U.S.C. §§ 101-1330, as amended, establishing procedures for interim compensation and reimbursement of expenses of court-approved professionals and the appointment of a fee committee and establishing a protocol regarding the fee committee, its composition, mandate, and procedures in accordance with the Fee Committee And Fee Procedures Protocol (the "Fee Protocol"); and this Court having entered an order on November 4, 2005 (Docket No. 869) granting certain of the relief requested in the Motion (the "Initial Order"); and this Court having entered supplemental orders on March 8, 2006 and March 28, 2006 (the

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<sup>1</sup> Unless otherwise defined herein, all capitalized terms shall have the meanings ascribed to them in the Motion For Administrative Order Under 11 U.S.C. § 331 (I) Establishing Procedure For Interim Compensation And Reimbursement Of Expenses Of Professionals And (II) Setting A Final Hearing Thereon (the "Interim Compensation Motion") (Docket No. 11).

"Supplemental Orders") (Docket Nos. 2747 and 2986) amending paragraphs 1(j) and 10 of the Initial Order regarding the deadlines for filing monthly compensation packages and interim and final fee applications; and this Court having entered on May 5, 2006 (Docket No. 3630) a third supplemental order approving the Fee Protocol and establishing July 19, 2006 as the hearing date to consider approval of the first applications for interim or final court approval (the "Third Supplemental Order"); and upon the request of the Joint Fee Review Committee that the hearing to consider approval of the first application for interim or final court approval and allowance of compensation and reimbursement of expenses for the period ended January 31, 2006 scheduled for July 19, 2006 be rescheduled for October 19, 2006; and upon recommendation of the Joint Fee Review Committee that the Debtors be authorized and directed to release one-half of the holdback amount of certain of the professional fees held back and retained by the Debtors for all periods ended through May 31, 2006; and this Court having determined that the relief granted herein is in the best interests of the Debtors, their estates, their creditors, and other parties-in-interest; and the office of the United States Trustee having consented to the relief granted herein; and after due deliberation thereon; and good and sufficient cause appearing therefor, it is hereby

**ORDERED, ADJUDGED, AND DECREED THAT:**

The Initial Order, the Supplemental Orders, and the Third Supplemental Order shall continue in full force and effect except as follows:

1. The hearing to consider approval of the first applications for interim or final court approval and allowance of compensation and reimbursement of expenses for the period ended January 31, 2006 (the "First Interim Fee Applications") scheduled for the omnibus hearing date of July 19, 2006 at 10:00 a.m. (Prevailing Eastern Time) shall be rescheduled to the omnibus hearing date of October 19, 2006 at 10:00 a.m. (Prevailing Eastern Time) to be

considered with the second applications for interim or final court approval and allowance of compensation and reimbursement of expenses for the period ended May 31, 2006 (the "Second Interim Fee Applications") at that hearing. A list of court-approved professionals retained in these chapter 11 cases who have filed First Interim Fee Applications is attached hereto as Exhibit A.

2. As provided in paragraph 13 of the Supplemental Order Under 11 U.S.C. Sections 102(1) And 105 And Fed. R. Bankr. P. 2002(m), 9006, 9007, And 9014 Establishing Omnibus Hearing Dates And Certain Notice, Case Management, And Administrative Procedures, entered March 17, 2006 (Docket No. 2883), any objection to either the First Interim Fee Applications or the Second Interim Fee Applications shall be filed on or before October 12, 2006 at 4:00 p.m. (Prevailing Eastern Time).

3. The Debtors are authorized and directed to release one-half of the holdback amount of professional fees held back and retained by the Debtors for all periods ended on or before May 31, 2006.

Dated: New York, New York  
July 12, 2006

/s/ ROBERT D. DRAIN  
UNITED STATES BANKRUPTCY JUDGE

Exhibit A

List Of Court-Approved Retained Professionals Who Have Filed Applications

<u>NAME OF PROFESSI- ONAL</u>	<u>NAME OF APPLICATION</u>	<u>DATE FILED</u>	<u>DOCKET No.</u>	<u>AMOUNT OF FEES SOUGHT</u>	<u>AMOUNT OF EXPENSES SOUGHT</u>	<u>VOLUNTARY ACCOMMO- DATIONS, IF ANY</u>	<u>AMOUNT OF IO LDBACK</u>
Banner & Witcoff, Ltd.	First Interim Application Of Banner & Witcoff, Ltd., Intellectual Property Counsel To Delphi Corporation, Seeking Allowance And Payment Of Interim Compensation And Reimbursement Of Expenses Under 11 U.S.C. Sections 330 And 331	04/28/2006	3506	\$29,580.05	\$411.95	N/A	\$5,998.40
Blake, Cassels & Graydon LLP	First Interim Fee Application Of Blake, Cassels & Graydon LLP As Canadian Counsel For Debtors For Allowance And Payment Of Interim Compensation And Reimbursement Of Expenses Under 11 U.S.C. §§ 330 And 331	05/31/2006	4167	Cdn\$290,676.50	Cdn\$2,533.60	N/A	\$58,135.30
Butzel Long, P.C.	First Interim Application Of Butzel Long, P.C., Commercial And Litigation Counsel To Debtors And Debtors-In-Possession, For Allowance And Payment Of Compensation And Reimbursement Of Expenses For The Period From October 8, 2005 Through January 31, 2006 Under 11 U.S.C. §§330 And 331	04/28/2006	3489	\$260,376.05	\$1,857.51	N/A	\$52,075.21



<u>NAME OF PROFESSIONAL</u>	<u>NAME OF APPLICATION</u>	<u>DATE FILED</u>	<u>DOCKET No.</u>	<u>AMOUNT OF FEES SOUGHT</u>	<u>AMOUNT OF EXPENSES SOUGHT</u>	<u>VOLUNTARY ACCOMMODATIONS, IF ANY</u>	<u>AMOUNT OF IOLODBACK</u>
Cadwalader, Wickersham And Taft LLP	First Application Of Cadwalader, Wickersham And Taft LLP As Attorneys For The Debtors For Interim Allowance Of Compensation For Professional Services Rendered And For Reimbursement Of Actual And Necessary Expenses Incurred From October 10, 2005 Through January 31, 2006	04/20/2006	3302	\$77,728.27	\$483.37	10% discount of fees; agreement to maintain previous year's hourly billing rates through April of 2006	\$15,545.65
Cantor Colburn LLP	First Interim Application For Cantor Colburn LLP For Allowance Of Compensation For Services Rendered And Reimbursement Of Expenses Pursuant To 11 U.S.C. §§ 330, 331	04/28/2006	3514	\$281,801.50	\$55,500.99	\$75,682.00	\$56,360.30
Covington & Burling	Revised First Interim Application Of Covington & Burling, Foreign Trade And Special Corporate Committee Legal Counsel To The Debtors And Debtors-In- Possession, For Allowance Of Compensation For Services Rendered And Reimbursement Of Expenses Incurred For The Period From October 8, 2005 Through January 31, 2006	04/28/2006	3596	\$490,281.00	\$20,653.23	N/A	\$87,179.00

<u>NAME OF PROFESSIONAL</u>	<u>NAME OF APPLICATION</u>	<u>DATE FILED</u>	<u>DOCKET No.</u>	<u>AMOUNT OF FEES SOUGHT</u>	<u>AMOUNT OF EXPENSES SOUGHT</u>	<u>VOLUNTARY ACCOMMODATIONS, IF ANY</u>	<u>AMOUNT OF IOLODBACK</u>
Deloitte & Touche LLP	First Interim Application For Allowance Of Fees And Expenses Of Deloitte & Touche LLP As Independent Auditors And Accountants To The Debtors For The Period From October 8, 2005 Through January 31, 2006	04/28/2006	3485	\$4,131,506.08	\$4,660.98	\$1,032,876.52	\$746,301.22
Dickinson Wright PLLC	First Interim Application Of Dickinson Wright PLLC For Order Authorizing And Approving Compensation For Services Rendered From January 13, 2006 Through January 31, 2006	04/26/2006	3442	\$8,973.50	\$0	N/A	\$1,794.70
Ernst & Young LLP	First And Final Application Of Ernst & Young LLP, As Sarbanes-Oxley, Valuation, And Tax Services Providers For The Debtors, For Allowance And Payment Of Compensation For Professional Services And Reimbursement Of Actual And Necessary Expenses	03/30/2006	3018	\$3,140,215.00	\$152,464.00	\$8,000.00	\$1,228,043.00
FTI Consulting, Inc.	First Interim Application For Allowance Of Compensation And Reimbursement Of Expenses Incurred By FTI Consulting, Inc. As Restructuring And Financial Advisor To The Debtors For The Period October 8, 2005 Through January 31, 2006	04/27/2006	3454	\$8,502,443.60	\$687,569.02	\$657,100.00	\$1,700,488.60

<u>NAME OF PROFESSIONAL</u>	<u>NAME OF APPLICATION</u>	<u>DATE FILED</u>	<u>DOCKET No.</u>	<u>AMOUNT OF FEES SOUGHT</u>	<u>AMOUNT OF EXPENSES SOUGHT</u>	<u>VOLUNTARY ACCOMMODATIONS, IF ANY</u>	<u>AMOUNT OF IOLODBACK</u>
Groom Law Group, Chartered	First Interim Application Of Groom Law Group, Chartered, As Special Employee Benefits Counsel For The Debtors, Seeking Allowance Of Compensation For Professional Services Rendered And For Reimbursement Of Actual And Necessary Expenses Incurred From October 8, 2005 Through January 31, 2005	04/27/2006	3460	\$127,500.30	\$5,087.96	\$14,166.70	\$25,500.06
Howard & Howard Attorneys, P.C.	First Interim Fee Application Of Howard & Howard Attorneys, P.C., Intellectual Property Counsel To Debtors, For Interim Allowance Of Compensation And Reimbursement Of Expenses For The Period October 8, 2005 Through January 31, 2006	03/21/2006	2965	\$98,553.00	\$19,710.70	N/A	\$19,710.60
Jaekle Fleischmann & Mugal, LLP	First Interim Fee Application Of Jaekle Fleischmann & Mugal, LLP, Intellectual Property Counsel To The Debtors, For Allowance Of Compensation And Reimbursement Of Expenses For The Period October 8, 2005 Through February 28, 2006	04/29/2006	3538	\$232,757.00	\$51,463.07	N/A	\$23,915.30

<u>NAME OF PROFESSIONAL</u>	<u>NAME OF APPLICATION</u>	<u>DATE FILED</u>	<u>DOCKET No.</u>	<u>AMOUNT OF FEES SOUGHT</u>	<u>AMOUNT OF EXPENSES SOUGHT</u>	<u>VOLUNTARY ACCOMMODATIONS, IF ANY</u>	<u>AMOUNT OF IOLODBACK</u>
Jeffries & Company, Inc.	First Interim Application Of Jefferies & Company, Inc., As Investment Banker To The Official Committee Of Unsecured Creditors For Interim Allowance Of Compensation For Professional Services Rendered And Reimbursement Of Actual And Necessary Expenses Incurred For The Period October 18, 2005 To January 31, 2006	05/30/2006	3962	\$604,032.26	\$22,677.57	N/A	\$120,806.45
Jones Lang LaSalle Americas, Inc.	Jones Lang LaSalle Americas, Inc.'s First Interim Application For Allowance And Payment Of Compensation And Reimbursement Of Expenses Pursuant To 11 U.S.C. §§328, 330 And 331	04/28/2006	3527	\$180,103.84	\$4,208.73	N/A	\$30,120.77
KPMG LLP	First Application Of KPMG LLP, As Tax And Transaction Services Advisors For The Debtors, For Interim Allowance Of Compensation For Professional Services Rendered And Reimbursement Of Actual And Necessary Expenses Incurred From October 8, 2005 Through January 31, 2006	04/28/2006	3507	\$1,439,122.50	\$17,631.00	N/A	\$287,824.50

<u>NAME OF PROFESSIONAL</u>	<u>NAME OF APPLICATION</u>	<u>DATE FILED</u>	<u>DOCKET No.</u>	<u>AMOUNT OF FEES SOUGHT</u>	<u>AMOUNT OF EXPENSES SOUGHT</u>	<u>VOLUNTARY ACCOMMO- DATIONS, IF ANY</u>	<u>AMOUNT OF IOLODBACK</u>
Latham & Watkins LLP	First Fee And Expense Application Of Latham & Watkins LLP As Counsel To The Official Committee Of Unsecured Creditors	05/31/2006	3966	\$3,258,050.25	\$157,230.86	\$6,028.75	\$652,815.80
Mesirow Financial Consulting, LLC	First Interim Application Of Mesirow Financial Consulting, LLC For Allowance Of Compensation And Reimbursement Of Expenses As Financial Advisor To The Official Committee Of Unsecured Creditors For The Period From October 19, 2005 Through January 31, 2006	05/31/06	3967	\$1,654,678.00	\$66,761.00	Voluntary limitation of billable travel time to a maximum of 2.0 hours per trip; billed travel time at one-half its normal rates	\$331,633.40
O'Melveny & Myers LLP	First Interim Application Of O'Melveny & Myers LLP For Order Authorizing And Approving Compensation And Reimbursement Of Expenses	04/27/2006	3469	\$1,322,746.50	\$90,169.23	Voluntary write-off of one-half of travel time; secretarial assistance not billed	\$264,570.30
Price, Heneveld, Cooper, DeWitt & Litton, LLP	First Interim Application For Approval Of Compensation And Reimbursement Of Expenses Of Price, Heneveld, Cooper, DeWitt & Litton, LLP, Intellectual Property Counsel To Debtors, For Services Rendered From October 9, 2005 Through January 31, 2006	04/27/2006	3495	\$46,233.50	\$4,368.56	N/A	\$16,862.90

<u>NAME OF PROFESSIONAL</u>	<u>NAME OF APPLICATION</u>	<u>DATE FILED</u>	<u>DOCKET No.</u>	<u>AMOUNT OF FEES SOUGHT</u>	<u>AMOUNT OF EXPENSES SOUGHT</u>	<u>VOLUNTARY ACCOMMODATIONS, IF ANY</u>	<u>AMOUNT OF COUNTERCLAIM</u>
Quinn Emanuel Urquhart Oliver & Hedges LLP	First Interim Application Of Quinn Emanuel Urquhart Oliver & Hedges LLP, Special Litigation Counsel To The Debtors-In-Possession For Compensation And Reimbursement Of Expenses	04/3/2006	3071	\$26,480.50	\$2,419.75	General write-off of certain time	\$5,296.10
Rader, Fishman & Grauer PLLC	First Interim Application For Approval Of Compensation And Reimbursement Of Expenses Of Rader, Fishman & Grauer PLLC, Intellectual Property Counsel To Debtors, For Services Rendered From October 8, 2005 Through January 31, 2006	05/1/2006	3740	\$82,674.00	\$63,923.00	N/A	\$16,534.80
Rothschild Inc.	First Interim Application Of Rothschild Inc. For Compensation And Reimbursement Of Expenses	05/1/2006	3562	\$943,548.39	\$88,346.27	N/A	\$188,709.68
Shearman & Sterling LLP	First Application Of Shearman & Sterling LLP, As Special Counsel To The Debtors, For Allowance Of Interim Compensation For Professional Services Rendered And For Reimbursement Of Actual And Necessary Expenses Incurred From October 8, 2005 Through January 31, 2006	04/27/2006	3463	\$2,097,867.55	\$103,201.56	General write-offs; non-working travel time billed at 50%	\$419,573.51

<u>NAME OF PROFESSIONAL</u>	<u>NAME OF APPLICATION</u>	<u>DATE FILED</u>	<u>DOCKET No.</u>	<u>AMOUNT OF FEES SOUGHT</u>	<u>AMOUNT OF EXPENSES SOUGHT</u>	<u>VOLUNTARY ACCOMMODATIONS, IF ANY</u>	<u>AMOUNT OF IOLODBACK</u>
Skadden, Arps, Slate, Meagher & Flom LLP	First Interim Application Of Skadden, Arps, Slate, Meagher & Flom LLP And Affiliates, Counsel To The Debtors-In- Possession, Seeking Allowance And Payment Of Interim Compensation And Reimbursement Of Expenses Under 11 U.S.C. §§ 330 And 331	05/31/06	3975	\$9,200,920.00	\$622,420.00	\$813,161.00	\$1,848,086.40
Steven Hall & Partners, LLC	First Fee And Expense Application Of Steven Hall & Partners, LLC As Compensation And Employment Agreement Advisor For The Official Committee Of Unsecured Creditors	05/31/06	3968	\$409,161.25	\$0	Write-off of expenses incurred	\$81,832.25
Thompson Hine LLP	First Interim Application Of Thompson Hine LLP As Special Counsel For Debtors For Interim Court Approval, Allowance And Payment Of Compensation For Services Rendered And Expenses Advanced From October 8, 2005 Through January 31, 2006	04/27/2006	3467	\$82,733.00	\$16,081.58	N/A	\$16,456.60

<u>NAME OF PROFESSIONAL</u>	<u>NAME OF APPLICATION</u>	<u>DATE FILED</u>	<u>DOCKET No.</u>	<u>AMOUNT OF FEES SOUGHT</u>	<u>AMOUNT OF EXPENSES SOUGHT</u>	<u>VOLUNTARY ACCOMMODATIONS, IF ANY</u>	<u>AMOUNT OF IOLODBACK</u>
Togut, Segal & Segal LLP	First Application Of Togut, Segal & Segal LLP For An Allowance Of Interim Compensation For Services Rendered As Conflicts Counsel For The Debtors For The Period October 8, 2005 Through January 31, 2006 And For Reimbursement Of Expenses	04/26/2006	3440	\$789,874.00	\$14,531.15	N/A	\$157,108.40
Warner Stevens, L.L.P.	First Interim Application For Compensation And Reimbursement Of Expenses Of Warner Stevens, L.L.P., As Conflicts Counsel To The Official Committee Of Unsecured Creditors For The Period Of November 10, 2005 Through January 31, 2006	04/28/2006	3478	\$322,376.00	\$14,929.31	N/A	\$64,475.20
Wilmer Cutler Pickering Hale And Dorr LLP	First Interim Application Of Wilmer Cutler Pickering Hale And Dorr LLP, Special Regulatory Counsel For The Audit Committee Of The Board Of Directors Of Delphi Corporation, For Allowance Of Compensation For Services Rendered And Expenses Incurred From October 8, 2005 Through January 31, 2006	05/1/2006	3549	\$343,327.00	\$4,807.79	Some write-off of copying expenses	\$68,665.40



## **EXHIBIT C**

COMPANY	CONTACT	ADDRESS1	ADDRESS2	CITY	STATE	ZIP	COUNTRY	PHONE	FAX	EMAIL	PARTY / FUNCTION
Bernstein Litowitz Berger & Grossman	Hannah E. Greenwald	1285 Avenue of the Americas		New York	NY	10019		212-554-1411	2125541444	<a href="mailto:hannah@blbglaw.com">hannah@blbglaw.com</a>	Counsel for Teachers Retirement System of Oklahoma; Public Employees's Retirement System of Mississippi; Raifeisen Kapitalanlage-Gesellschaft m.b.H and Stichting Pensioenfornds ABP
Bernstein Litowitz Berger & Grossman	John P. Coffey	1285 Avenue of the Americas		New York	NY	10019		212-554-1409	2125541444	<a href="mailto:sean@blbglaw.com">sean@blbglaw.com</a>	Counsel for Teachers Retirement System of Oklahoma; Public Employees's Retirement System of Mississippi; Raifeisen Kapitalanlage-Gesellschaft m.b.H and Stichting Pensioenfornds ABP
Cohen, Weiss & Simon LLP	Joseph J. Vitale Babette Cecotti	330 West 42nd Street		New York	NY	10036		212-356-0238	646-473-8238	<a href="mailto:jvitale@cwsny.com">jvitale@cwsny.com</a> <a href="mailto:bceccotti@cwsny.com">bceccotti@cwsny.com</a>	Counsel for International Union, United Automobile, Areospace and Agriculture Implement Works of America (UAW)
Davis, Polk & Wardwell	Donald Bernstein Brian Resnick	450 Lexington Avenue		New York	NY	10017		212-450-4092 212-450-4213	212-450-3092 212-450-3213	<a href="mailto:donald.bernstein@dpw.com">donald.bernstein@dpw.com</a> <a href="mailto:brian.resnick@dpw.com">brian.resnick@dpw.com</a>	Counsel to Debtor's Postpetition Administrative Agent
Delphi Corporation	Sean Corcoran, Karen Craft	5725 Delphi Drive		Troy	MI	48098		248-813-2000	248-813-2670	<a href="mailto:sean.p.corcoran@delphi.com">sean.p.corcoran@delphi.com</a> <a href="mailto:karen.j.craft@delphi.com">karen.j.craft@delphi.com</a>	Debtors
Fried, Frank, Harris, Shriver & Jacobson	Brad Eric Sheler Bonnie Steingart Vivek Melwani Jennifer L. Rodburg Richard J. Slivinski	One New York Plaza		New York	NY	10004		212-859-8000	212-859-4000	<a href="mailto:rodbuie@ffhsj.com">rodbuie@ffhsj.com</a> <a href="mailto:sliviri@ffhsj.com">sliviri@ffhsj.com</a>	Counsel to Equity Security Holders Committee
Gorlick, Kravitz & Listhaus, P.C.	Barbara S. Mehsack	17 State Street	4th Floor	New York	NY	10004		212-269-2500	212-269-2540	<a href="mailto:bmehsack@gklaw.com">bmehsack@gklaw.com</a>	Counsel for International Brotherhood of Electrical Workers Local Unions No. 663; International Association of Machinists; AFL-CIO Tool and Die Makers Local Lodge 78, District 10; International Union of Operating Engineers Local Union Nos. 18, 101 and 832
Grant & Eisenhofer P.A.	Jay W. Eisenhofer	45 Rockefeller Center	650 Fifth Avenue	New York	NY	10111		212-755-6501	212-755-6503	<a href="mailto:jeisenhofer@gelaw.com">jeisenhofer@gelaw.com</a>	Counsel for Teachers Retirement System of Oklahoma; Public Employees's Retirement System of Mississippi; Raifeisen Kapitalanlage-Gesellschaft m.b.H and Stichting Pensioenfornds ABP
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## **EXHIBIT D**

Hearing Date: July 19, 2006, 10:00 a.m.

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UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK

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In re	:	Chapter 11
	:	
DELPHI CORPORATION, <u>et al.</u> ,	:	Case No. 05-44481 (RDD)
	:	
Debtors.	:	(Jointly Administered)
	:	
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DEBTORS' OMNIBUS RESPONSE TO OBJECTIONS AND RESPONSE TO SUPPLEMENT  
TO KECP MOTION (DOCKET NO. 213) SEEKING AUTHORITY TO: (A) FIX SECOND  
HALF 2006 AIP TARGETS AND CONTINUE AIP PROGRAM AND (B) FURTHER  
ADJOURN KECP EMERGENCE INCENTIVE PROGRAM HEARING

Delphi Corporation ("Delphi") and certain of its subsidiaries and affiliates, debtors and debtors-in-possession in the above-captioned cases (collectively, the "Debtors"), hereby submit this omnibus response to the objections filed by the International Union of Electronic, Electrical, Salaried, Machine and Furniture Workers-Communication Workers of America ("IUE-CWA") (Docket No. 4524), the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers, International Union ("USW") (Docket No. 4526), the International Brotherhood of Electrical Workers Local Union No. 663 ("IBEW"), the International Association of Machinists and Aerospace Workers, Tool and Die Makers Local Lodge 78, District 10 ("IAM"), and the International Union of Operating Engineers, Locals 18S, 101S, and 832S ("IUOE") (Docket Nos. 4529-4531), and the International Union, United Automobile, Aerospace, and Agricultural Implement Workers of America ("UAW") (Docket No. 4556), and the response filed by the Teachers' Retirement System of Oklahoma, the Public Employees' Retirement System of Mississippi, Raiffeisen Kapitalange-Gesellschaft m.b.H, and Stichting Pensioenfonds ABP (collectively, "Lead Plaintiffs") (Docket No. 4528) to the Debtors' Supplement To KECP Motion (Docket No. 213) Seeking Authority To: (A) Fix Second Half 2006 AIP Targets And Continue AIP Program And (B) Further Adjourn KECP Emergence Incentive Program Hearing (Docket No. 4419) (the "Supplement").

#### Background

1. On June 29, 2006, the Debtors filed a Supplement to the KECP Motion seeking the authority to continue for an additional six-month period the short-term annual incentive program ("AIP") approved by the Court in its Order Under 11 U.S.C. §§ 105 And 363 Authorizing The Debtors To Implement A Short-Term Annual Incentive Program ("AIP Order")

(Docket No. 2441).<sup>1</sup> The AIP for the second half of 2006 would be governed by the terms and conditions set forth in the AIP Order, and would incorporate new performance targets and payout curves (based on the Debtors' second-half operating plan) adopted by Delphi's Board of Directors and agreed to by the Official Committee of Unsecured Creditors (the "Creditors' Committee"). The Debtors also requested the authority to continue the AIP for additional six-month periods after December 31, 2006, subject to the Debtors' ability to reach an agreement on performance targets and payout curves with the Creditors' Committee, whose compensation consultant and financial advisors have played an active role in developing and reviewing targets and curves, or further order of this Court.

2. After the Debtors' filed the Supplement, the Debtors and their advisors continued their ongoing dialogue with the Creditors' Committee and its advisors regarding the elements of the AIP. As a result of those constructive discussions, the Debtors and the Creditors' Committee have agreed on the form of Supplemental AIP Order that is attached to this omnibus response as Exhibit A. Generally speaking, the Debtors and the Creditors Committee have confirmed that Delphi's EBITDAR-UG for the AIP corporate-wide target will include adjustments for the net savings realized during the performance period from comprehensive transformation agreements reached with the Debtors' labor unions, as well as the cost of implementing hourly attrition programs and the benefit of paying lower net wages to employees who replace workers who voluntary attrite under those programs realized during the performance period. In addition, following the completion of the performance period and in connection with

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<sup>1</sup> The IUE-CWA incorrectly asserts that, after the Court issued the AIP Order, the Debtors extended the AIP to their non-executive salaried employees. (IUE-CWA Objection (Docket No. 4524) at 2.) The Debtors' Omnibus Response To Objections To Their Motion For Order Under 11 U.S.C. §§ 105 And 363 Authorizing The Debtors To Implement A Key Employee Compensation Program (Docket No. 2210) (the "First KECP Omnibus Response"), dated February 8, 2006, disclosed that the Debtors had already  
(cont'd)

its review of the Debtors' actual financial results for the performance period, the Creditors' Committee may require that the Debtors' make further adjustments to EBITDAR-UG by up to an aggregate of \$100 million based on net savings realized by the Debtors on account of transformation actions not contemplated by the forecasts used by the Debtors to establish the EBITDAR-UG target of negative \$411 million.

3. Unlike the contested hearing with respect to the Court's approval of the AIP Order, the Creditors' Committee supports the Court's entry of the new proposed Supplemental AIP Order and no objections to the relief sought in the Supplement have been filed by either of the Debtors' principal lending groups or by either of the Official Committee of Equity Security Holders nor the Ad Hoc Equity Committee organized by Appaloosa Management L.P. Indeed, no interested party has filed an objection to the relief sought in the Supplement other than the Debtors' six unions representing hourly workers in the domestic U.S. portion of Delphi's business operations and the Lead Plaintiffs.

4. The objections to the Supplement fall into three main categories.<sup>2</sup> First, the union objectors maintain that implementing additional AIPs will complicate negotiations between the Debtors and the unions because the Debtors' executives are not sharing in the sacrifice being asked of union members. The union objectors also attack the performance targets for the second-half AIP, characterizing them as a "lay-up" or "slam dunk." Third, several unions and Lead Plaintiffs take issue with the Debtors' request for authority to implement AIPs beyond December 31, 2006. In addition to these three objections, Lead Plaintiffs ask the Court to ensure

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*(cont'd from previous page)*

implemented incentive programs for their non-executive salaried workforce in the ordinary course of business. (First KECP Omnibus Resp. (Docket No. 2210) at 2 n.3.)

<sup>2</sup> A chart summarizing the objections and Lead Plaintiffs' response to the Supplement is attached hereto as Exhibit B.



that the prophylactic measures outlined in the AIP Order apply to any additional AIP implemented by the Debtors (which objection is moot since the form of proposed Supplemental AIP Order has always continued the prophylactic measures outlined in the AIP Order) . The Debtors respond to each of these objections in greater detail below.

5. As the evidence demonstrated at the contested hearing on the AIP Order, the at-risk compensation opportunities provided by the AIP are an essential component of the Debtors' efforts to restore their executive compensation program to competitive levels. The Debtors' prepetition executive compensation program consisted of four principal elements—annual salary, benefits, a short-term incentive compensation program in the form of an AIP, and a long-term incentive compensation program that provided the opportunity for stock options, restricted stock, and cash incentive payments. When the Debtors commenced their chapter 11 business reorganization cases in October 2005, the short- and long-term incentive compensation programs were essentially eliminated, leaving in place only salary and benefits, which together accounted for less than half of the total compensation opportunities available to executives prepetition.

6. Also as the evidence demonstrated at the contested hearing on the AIP Order, an executive compensation program limited to salary and benefits is not competitive with the practices of the Debtors' peers. Indeed, the Debtors presented undisputed evidence at the prior AIP hearing that virtually all Fortune 1000 companies have an annual or short-term incentive program, as do virtually all public companies in the automotive supply industry. It is also undisputed that the terms and conditions of the AIP proposed by the Debtors are well within the range of competitive practice as compared to short-term incentive programs offered by the Debtors' peers. As noted by the Court at the hearing on the first-half AIP:

I think that this is more than a simple human resources matter. That is not to say, however, that this is a particularly extraordinary matter. It is—it has been an element of executive compensation generally in the marketplace and, in particular, until the period immediately preceding the debtors' chapter 11 filing, an element of the executive compensation for these particular executives.

. . . .

There was no meaningful evidence to contradict, for example, that the current arrangement, which for the post-petition period does not have any annual incentive element for compensation, is not competitive and that it, in fact, puts the debtor in the bottom quarter in respect of executive compensation with regard to its competitors.

(Hr'g Tr., Feb. 10, 2006 (Docket No. 3414) at 240, 243.)

7. In the Supplement, the Debtors also asked the Court to adjourn until the October 2006 omnibus hearing the segment of the KECP Motion addressing the emergence bonus plan, which was designed to replace a portion of the compensation opportunities available under the Debtors' prepetition long-term incentive program. The Debtors did not receive any objections to their request for such an adjournment. Accordingly, the hearing on the Supplement scheduled for July 19, 2006 will be limited to the AIP.

8. The Debtors' legitimate and reasonable business imperative to move towards a fully competitive compensation program for their executives provides ample justification for allowing the Debtors to continue the AIP for additional six-month periods. In addition, the Debtors' financial performance during the first half of 2006 provides additional justification for continuation of the AIP program. Although the Debtors have not finalized their financial results for the first six months of this year, they currently expect that Delphi's operating income will exceed planned levels by approximately \$600 million, thereby reducing the expected loss for the fiscal year from approximately \$2.6 billion to \$2 billion. At this level of financial performance, the maximum payout available under the AIP for the first half of the year will be approximately \$36.3 million, or just over 6% of the value added to the Debtors' estates, creditors,

and other stakeholders during that period (i.e., in this case, reduction of anticipated losses by \$600 million). The Debtors' financial performance was the result of many factors, among them the Company's exceptional operational performance, which was led by the Debtors' executive team and was achieved despite the Debtors' involvement in one of the largest and most complex manufacturing reorganizations in history.

9. Rather than appreciate this remarkable performance, the union objectors contend that the performance targets under the first-half AIP were too low.<sup>3</sup> Contrary to the unions' assertions, which are made without any evidentiary support, the AIP performance targets were drawn from Delphi's budget, which was the product of a rigorous business-planning process. Under that process, the budget for the first half of 2006 was prepared from the bottom up, with each division forecasting its performance on a number of financial and operational metrics. The division-level budgets were then presented to and reviewed by members of Delphi's senior management, as well as by Delphi's Board of Directors.

10. In addition to the appropriate business judgment and corporate governance process provided by this multi-layer review, there are several reasons why a division would avoid presenting earnings forecasts that are a forgone conclusion. For instance, the company considers these numbers in deciding how to allocate capital and other resources among the divisions and whether the company should expand or contract each division. If a division presents low budget numbers, it may be perceived as a poor performer in relation to other divisions, making it a less attractive candidate to receive corporate resources. These concerns

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<sup>3</sup> The IUE-CWA takes this argument a step further, misstating that, "by the time the program was approved in March, 2006 by the Court," the Debtors' executives already knew "that the first half targets would be met." (IUE-CWA Objection (Docket No. 4524) at 9.) In fact, the Court issued the AIP Order approving the program on February 17, 2006. And at the hearing on February 10, 2006, the Court expressly found, based on the undisputed evidence, "that that target has not been met already but that it is something that is, at this point, still an aspiration." (Hr'g Tr. Feb. 10, 2006 (Docket No. 3414) at 245.)

were particularly acute with respect to the budget for the first half of 2006, when the Company was developing its transformation plan and deciding which product lines and manufacturing sites would remain part of its core operations.

11. The performance targets for the second-half AIP are also the result of a bottom-up business planning process, and have been reviewed and approved by the Compensation and Executive Development Committee of Delphi's Board of Directors (the "Compensation Committee") as well as by the Board of Directors. Although the Debtors have a reasonable level of confidence that their business targets are achievable, actually meeting the targets will require the Debtors to continue their excellent performance in the second half of the year. The objectors' rhetorical bluster to the contrary has no support.

#### Responses To Objections

A. The Unions' Concerns Regarding Shared Sacrifice And Collective Bargaining Do Not Defeat The Debtors' Business Judgment To Implement Additional AIPs

12. The union objectors argue that continuing the AIP is unfair in light of the Debtors' labor proposals, and that the AIP will impede collective bargaining and could ultimately derail the Debtors' reorganization by preventing a successful resolution of labor issues. The Court overruled this same objection with respect to the first-half AIP, which was heard one week before the Debtors were scheduled to file their motion under sections 1113 and 1114 of the Bankruptcy Code, 11 U.S.C. §§ 1113-1114, stating:

It is very hard to ask someone to make a substantial give-up, when you yourself have just received the right to obtain a bonus. And it, at a minimum, takes at least in practical terms, I would think, at least 10 minutes of explaining in any meeting where that issue's raised, if someone's willing to listen, why the fate of one, the bonus, should not really be tied to the other, and, in fact, that the request for the concession is thematically, actually related to the other, in the sense, that they're both intended to make the debtor more competitive. Nevertheless, I believe that anyone negotiating in good faith with the debtors, would ultimately have to accept that explanation. And, I think that the debtors' unions, their advisors, and the rank

and file, are, first, smart enough to make the argument, the inevitable argument, and, second, smart enough also to understand the debtors' and my response.

(Hr'g Tr., Feb. 10, 2006 (Docket No. 3414) at 249-50.) The Court also rejected the related notion, raised again here by some objectors, that the Debtors should wait until some later point to propose an AIP. As the Court stated:

it appears to me that if I did not approve this AIP today, I would be approving it at some point, because it is reasonable, and I don't really see a logical reason to defer that beyond the inevitable push back that the debtors would receive. But, they would receive that push back inevitably, I believe, at any time. And it has chosen to bring it on now, and based on this record, it's entitled to it.

(Id. at 250-51.)

13. The unions' objection has even less force today because the course of events since the first-half AIP was approved on February 17, 2006 demonstrate that the existence of an AIP does not preclude the Debtors and the unions from making progress toward the goal of a consensual resolution of labor issues. For example:

- On March 22, 2006, the Debtors, the UAW, and GM reached an agreement on the UAW Special Attrition Program.
- On June 5, 2006, the Debtors, the UAW, and GM agreed to a supplement to the UAW Special Attrition Program.
- Less than one week later, on June 9, 2006, the Debtors agreed to a 60-day adjournment of the hearing on their motion under sections 1113 and 1114 (as well as an adjournment of the hearing on their motion for authority to reject certain contracts with GM) in light of the significant progress in its discussions with the UAW, the IUE-CWA, the USW, and GM.
- The following week, on June 16, 2006, the Debtors reached an agreement with the IUE-CWA and GM on the IUE-CWA Special Attrition Program.

14. The IUE-CWA attempts to downplay the significance of the attrition programs on the ground that, unlike modifications to collective bargaining agreements, the attrition programs were not subject to ratification by union members. The IUE-CWA has offered no support, however, for its implicit contention that union members would have voted the

programs down had they had the chance. Indeed, the number of eligible employees who voted with their feet by signing up for the attrition programs strongly suggests that this is not the case. Moreover, the Debtors believe that the outcome of any ratification vote will depend on the terms of the proposed modifications and their impact on union members, rather than extraneous considerations involving the AIP. As the Court recognized at the hearing on February 10, 2006, "the fate of one . . . should not really be tied to the other." (Id. at 250.)

B. The Debtors Have Proposed Reasonable Performance Targets For The Second-Half AIP

15. The performance targets for the second-half AIP were drawn from the Debtors' 3+9 forecast, with some adjustments for the Debtors projections of North American sales volumes to GM. Like the performance targets for the first-half AIP, the second-half targets were the product of a bottom-up approach that involved business planning on a division-by-division basis. In addition, the independent directors on the Compensation Committee reviewed and approved the targets at their meeting on June 27, 2006 and the full Board of Directors ratified the Compensation Committee's actions at its regular monthly meeting on July 18, 2006.

16. Several objectors take issue with the fact that the targets for the second-half AIP are lower than those for the first half. As explained in the Supplement, however, historical financial data demonstrate that Delphi's financial performance is seasonal and customarily declines substantially during the second half of each calendar year (in no small part as a result of the annual summer industry shutdown and lower productivity related to model changeover and launches in the second half of the calendar year). The Debtors have also explained the business reasons why they expect this phenomenon to recur in 2006, among them

the seasonality of Delphi's business, volume and mix changes, and pricing reductions associated with the 2007 models produced by original equipment manufacturers.<sup>4</sup>

17. In short, the Debtors' business judgment is that the performance targets are set at a reasonable level that will spur the Debtors' executives to overcome the challenges associated with operating a company in chapter 11 and continue the company's exceptional performance into the second half of 2006. The objectors provide conclusory rhetoric that the targets are too low, but they have not presented any basis for legitimately challenging the Debtors' business judgment.<sup>5</sup> Furthermore, increasing the performance targets would remove the link between the AIP and the operating plan that Delphi uses to manage its business, resulting in arbitrary targets that do not reflect the company's true objectives.

C. It Is Appropriate To Grant The Debtors Authority To Implement AIPs Beyond December 31, 2006, Subject To Agreement With The Creditors' Committee Or Further Court Order

18. In the Supplement, the Debtors requested the authority to continue the AIP for six-month increments following December 31, 2006, subject to the Debtors' ability to reach an agreement with the Creditors' Committee on performance targets and payout curves or further

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<sup>4</sup> In addition to objecting to the targets themselves, the IUOE, IBEW, and IAM contend that the targets will somehow increase the cost of the AIP during the second half. (IUOE, IBEW, & IAM Objection (Docket Nos. 4529-31) ¶ 3.) This is not the case. The payouts available under the second-half AIP are the same as those approved by the Court with respect to the first half. In fact, because of executive attrition, the maximum payout for the second half will likely be less than the maximum payout for the first half.

<sup>5</sup> Furthermore, the IUE-CWA's objection on this point is based on its faulty calculation that the Debtors will achieve their performance targets even if Delphi experiences an operating loss of \$1.584 billion in the second half of 2006. (See IUE-CWA Objection (Docket No. 4524) at 2.) It appears that the IUE-CWA computed this figure by adding the corporate EBITDAR-UG target and all of the division OIBITDAR-UG targets disclosed in paragraph nine of the Supplement, without regard to whether those targets are positive or negative—e.g., (\$100) + \$90 = (\$190). Furthermore, the IUE-CWA's computation essentially counts the division targets twice because the corporate target of (\$411.0 million) is based on an aggregation of the division numbers, with some adjustments for corporate-level items. The IUE-CWA also describes as "meaningless" the Supplement's chart demonstrating the seasonality of Delphi's operating income because it does not include restructuring costs or other one-time items. (IUE-CWA Objection (Docket No. 4524) at 9.) However, the AIP's EBITDAR-UG and OIBITDAR-UG targets likewise do not include restructuring costs, and thus, the historical seasonality of Delphi's business will directly affect the performance metrics under the AIP.

order of the Court. Several objectors take issue with this portion of the Supplement, arguing that the Debtors should seek the Court's approval for each six-month period. This exercise is particularly inefficient given that the objections to the Supplement are largely identical to the objections that were raised and overruled by the Court as to the first-half AIP. The Debtors anticipate that these same objections would reappear in connection with any AIP they propose.

19. At the same time, the essential elements of the AIP are not going to change. The Court has already concluded that those elements are "fair and reasonable" (AIP Order ¶ C), and that the AIP "pass[es] muster as an appropriate form of compensation . . . that passes the business judgment test" (Hr'g Tr. Feb. 10, 2006 (Docket No. 3414) at 246-47.). The fundamental facts underlying the Debtors' request for continuing authority will also remain constant—most notably the fact that, without the AIP, the Debtors will be left with an uncompetitive executive compensation structure that includes only salary and benefits.<sup>6</sup> Similarly, the argument that the Debtors should wait until emergence or some other point in 2007 to implement another AIP is nothing more than a disguised plea to cancel the AIP and return the Debtors' executive compensation program to uncompetitive levels.

20. Conditioning the Debtors' authority on the existence of an agreement with the Creditors' Committee—whose membership includes the Debtors' two largest unions as official or ex officio members—safeguards the interests of the unions and other creditors. The Creditors' Committee has a fiduciary duty to represent the interests of creditors, and to date the

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<sup>6</sup> The IUOE, IBEW, and IAM disregard these findings, asserting that "the Debtor has not established that its executive compensation levels are not competitive." (IUOE, IBEW, & IAM Objection (Docket Nos. 4529-31) ¶ 12.) The IUE-CWA makes a similar argument in its objection. (IUE-CWA Objection (Docket No. 4524) at 9.) These arguments completely ignore the record established at the first AIP hearing and the Court's explicit findings as to the Debtors' executive compensation structure. Those findings were based on uncontroverted evidence regarding the uncompetitiveness of that structure, including the conclusions of a comprehensive study performed by Delphi's independent compensation consultant, Watson Wyatt Worldwide. Given the Court's conclusions, there is no reason to litigate this issue again, particularly since no objector has come forward with contrary evidence.



Creditors' Committee has played an active role with respect to the AIP. The Debtors and their compensation consultant and financial advisors have worked closely with the Creditors' Committee and its compensation consultant and financial advisors on all aspects of the design of the AIP, including performance targets and payout curves, and the Creditors' Committee has provided constructive recommendations on program elements throughout this process. With respect to the second-half AIP, the Debtors and the Creditors' Committee engaged in extensive discussions over the course of several months, which led to the modifications described above and the Creditors' Committee's support for the new proposed Supplemental AIP Order. There is no reason to believe that the Creditors' Committee will not continue to adequately represent the interests of the unions and other creditors with respect to the AIP.

D. The Debtors Agree That The Prophylactic Measures In The AIP Order Should Apply To Any Continuation of the AIP Implemented By The Debtors

21. In paragraph 10 of the AIP Order, the Court established prophylactic measures designed to prevent the payment of incentive compensation to the Debtors' executives under certain circumstances, including with respect to any executive who fails to act in good faith and in a manner consistent with the Debtors' best interests. In its response to the Supplement, the Lead Plaintiffs seek assurances that these prophylactic measures will be equally applicable to any continuation of the AIP by the Debtors. As explained in the Supplement, the Debtors seek the authority to continue the AIP under the same terms and conditions as those set forth in the AIP Order, including the prophylactic measures in paragraph 10, with new performance targets and corresponding payout curves for each period.

Conclusion

WHEREFORE, the Debtors respectfully request that the Court enter a Supplemental AIP Order in substantially the form of that attached to this omnibus response as Exhibit A overruling the objections to the Supplement and granting the Debtors the relief requested and such other and further relief as is just.

Dated: New York, New York  
July 18, 2006

SKADDEN, ARPS, SLATE, MEAGHER  
& FLOM LLP

By: /s/ John Wm. Butler, Jr.  
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New York, New York 10036  
(212) 735-3000

Attorneys for Delphi Corporation, et al.,  
Debtors and Debtors-in-Possession

# EXHIBIT A

UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK

-----X	
In re	: Chapter 11
DELPHI CORPORATION, <u>et al.</u> ,	: Case No. 05-44481 (RDD)
Debtors.	: (Jointly Administered)
-----X	

SUPPLEMENTAL ORDER UNDER 11 U.S.C. §§ 105 AND 363  
AUTHORIZING THE DEBTORS TO: (A) FIX SECOND HALF 2006  
AIP TARGETS AND CONTINUE AIP PROGRAM AND (B) FURTHER  
ADJOURN KECP EMERGENCE INCENTIVE PROGRAM HEARING

("SUPPLEMENTAL AIP ORDER")

Upon the Supplement To KECP Motion (Docket No. 213) Seeking Authority To:

(A) Fix Second Half 2006 AIP Targets And Continue AIP Program And (B) Further Adjourn  
KECP Emergence Incentive Program Hearing (the "Supplement"), dated June 29, 2006, of  
Delphi Corporation ("Delphi") and certain of its subsidiaries and affiliates, debtors and debtors-  
in-possession in the above-captioned cases (collectively, the "Debtors"); and upon the  
declarations of Debra S. Alexander, Nick Bubnovich, Virgis W. Colbert, Rodney O'Neal, and  
John D. Sheehan, each executed June 29, 2006; and after consideration of any objections to the  
Supplement filed by any party; and upon the record of the hearing held on July 19, 2006 on the  
relief requested in the Supplement, including the Court's consideration of the testimony and  
exhibits; and this Court having determined that the relief requested in the Supplement is in the  
best interests of the Debtors, their estates, their creditors, and other parties-in-interest; and this  
Court having entered an Order Under 11 U.S.C. §§ 105 And 363 Authorizing The Debtors To  
Implement A Short-Term Annual Incentive Program ("AIP Order") (Docket No. 2441), dated

February 17, 2006; and it appearing that proper and adequate notice of the Supplement was given and that no other or further notice is necessary; and after due deliberation thereon; and good and sufficient cause appearing therefor,

IT IS HEREBY FOUND AND DETERMINED THAT:

A. The Debtors have exercised reasonable business judgment in seeking the authority to implement short-term annual incentive plans ("AIPs") covering the six-month period running from July 1, 2006 through December 31, 2006 and during each successive six-month period during which the Debtors are engaged in the chapter 11 process.

B. The AIPs currently before the Court, including the Debtors' proposal to implement the AIP covering the second half of 2006, were proposed in good faith and are in all respects fair and reasonable.

C. It is in the best interest of the Debtors, their estates, their creditors, and parties-in-interest, and it is necessary to the Debtors' reorganization efforts, that the Debtors implement at this time an AIP for the period from July 1, 2006 through December 31, 2006, and that the Debtors have the authority to implement AIPs in any succeeding six-month period during which they are engaged in the chapter 11 process, subject to (i) the Debtors' ability to reach an agreement with the Official Committee of Unsecured Creditors (the "Creditors' Committee") regarding the substance of the AIP for that period within a reasonable time after that period begins or (ii) further order of this Court.

IT IS ORDERED, ADJUDGED, AND DECREED THAT:

The AIP Order shall continue in full force and effect except as follows:

1. The relief requested in the Supplement is GRANTED; any objections thereto are OVERRULED; and the remainder of the KECP Motion and any objections thereto are ADJOURNED to the omnibus hearing scheduled for October 19, 2006.

2. The Court approves the implementation at this time of an AIP covering the six-month period from July 1, 2006 through December 31, 2006, and the Debtors are authorized, pursuant to 11 U.S.C. §§ 105(a) and 363(b)(1), to forthwith take all actions consistent with this Supplemental AIP Order that are reasonably necessary to implement an AIP for that period on the terms and conditions set forth in the AIP Order; provided, however, that the range of incentive-compensation opportunities for Covered Employees during that period shall be determined pursuant to the payout curves attached hereto as Exhibit 1, which do not include any incentive-compensation opportunities for corporate or divisional performance that is below target. The EBITDAR-UG target for the AIP covering the period from July 1, 2006 through December 31, 2006 shall be set at a negative \$411 million. The OIBITDAR-UG targets for the same period shall be as follows: (i) Powertrain (formerly known as Energy and Chassis) = negative \$58.0 million; (ii) Steering = negative \$114.0 million; (iii) Thermal and Interior = negative \$140.0 million; (iv) Electronics and Safety = \$179.0 million; (v) Packard Electric = negative \$17.0 million; (vi) Product and Service Solutions = \$22.0 million; (vii) Automotive Holdings Group = negative \$634.0 million; and (viii) Medical = negative \$9.0 million.

3. For purposes of the AIP covering the period from July 1, 2006 through December 31, 2006, EBITDAR-UG shall include adjustments for: (a) net savings realized during the performance period generated from comprehensive transformation agreements reached with any of the Debtors' labor unions; (b) with regard to the Debtors' hourly attrition programs, both the cost of implementing these programs as well as the benefit to the Debtors of paying lower net

wages to employees who replace those who voluntarily attrite under the hourly attrition programs realized during the performance period; and (c) additional adjustments (including to amounts included in clauses (a) and (b)) up to an aggregate amount of \$100 million as reasonably determined by the Creditors' Committee in accordance with this paragraph to account for direct or indirect net savings realized by the Debtors during the performance period on account of transformation actions not contemplated by the Debtors' business plan forecasts utilized to establish the EBITDAR-UG target of negative \$411 million. The Creditors' Committee shall consult with the Debtors in making any determination under this paragraph, but in no event shall the Debtors have any right to reject or seek review by the Court of any such adjustment. The Creditors' Committee shall make its determination hereunder no later than February 15, 2007. In connection with such determination, the Debtors shall provide the Creditors' Committee on or prior to February 1, 2007 with the actual results of performance for such period (and appropriate back-up therefor), and shall provide the Creditors' Committees' professionals with such additional back-up therefor as may be reasonably requested. Prior to February 15, 2007, the Debtors shall not make any AIP payments for the performance period until the Creditors' Committee's actual determination hereunder as to whether adjustments to EBITDAR-UG permissible hereunder are in the best interests of the Debtors' and their estates. In the event that no determination is made by the Creditors' Committee by February 15, 2007, the Debtors shall calculate EBITDAR-UG without adjustment for clause (c) of this paragraph. The date references to "February 1, 2007" and to "February 15, 2007" in this paragraph may be extended by mutual agreement of the Debtors and the Creditors' Committee.

4.     ~~3.~~-The Court grants the Debtors the authority to implement AIPs for any six-month period beginning after December 31, 2006, during which the Debtors are engaged in

the chapter 11 process, subject to (i) the Debtors and the Creditors' Committee reaching an agreement regarding the substance of the AIP for that period within a reasonable time after that period begins or (ii) further order of this Court.

5. ~~4.~~ This Court shall retain jurisdiction over the Debtors and the Covered Employees participating in any AIP implemented pursuant to this Supplemental AIP Order, including without limitation for the purposes of interpreting, implementing, and enforcing the terms and conditions of any such AIP.

6. ~~5.~~ The requirement under Rule 9013-1(b) of the Local Rules for the United States Bankruptcy Court for the Southern District of New York for the service and filing of a separate memorandum of law is deemed satisfied by the Supplement.

7. ~~6.~~ Capitalized terms not separately defined herein shall have the meanings ascribed to them in the AIP Order.

Dated: New York, New York  
\_\_\_\_\_, 2006

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UNITED STATES BANKRUPTCY JUDGE

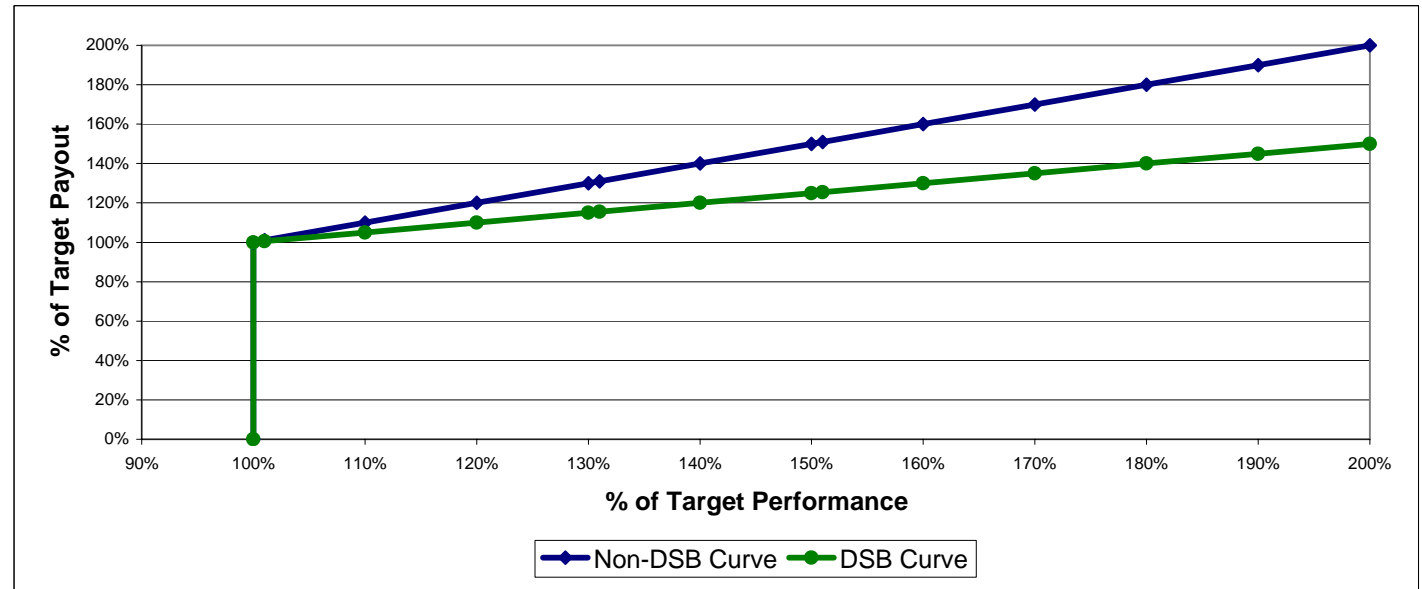


# EXHIBIT 1

DELPHI CORPORATION

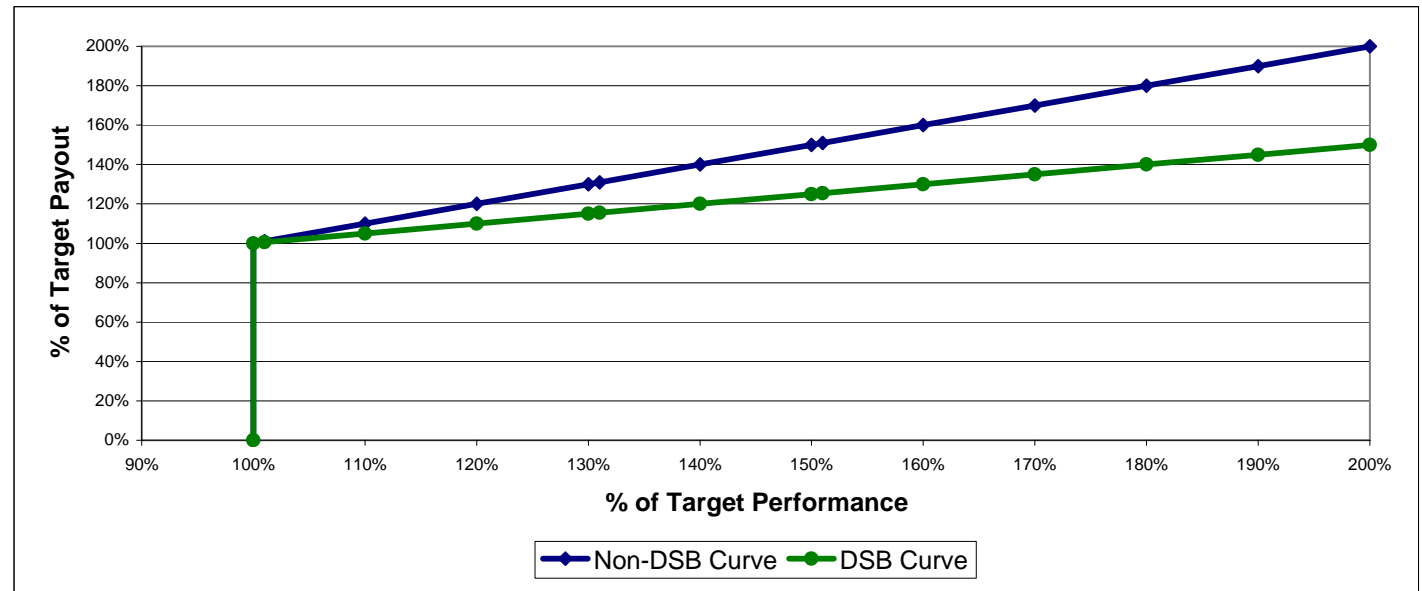
Proposed 2nd 2006 6-month **Corporate EBITDAR** AIP Payout Curve

% Performance	\$ Performance (in millions)	DSB % Payout	Non-DSB % Payout
100.0%	(\$411.0)	0.0%	0.0%
100.0%	(\$411.0)	100.0%	100.0%
101.0%	(\$406.8)	100.5%	101.0%
110.0%	(\$368.9)	105.0%	110.0%
120.0%	(\$326.8)	110.0%	120.0%
130.0%	(\$284.7)	115.0%	130.0%
131.0%	(\$280.5)	115.5%	131.0%
140.0%	(\$242.6)	120.0%	140.0%
150.0%	(\$200.5)	125.0%	150.0%
151.0%	(\$196.3)	125.5%	151.0%
160.0%	(\$158.4)	130.0%	160.0%
170.0%	(\$116.3)	135.0%	170.0%
180.0%	(\$74.2)	140.0%	180.0%
190.0%	(\$32.1)	145.0%	190.0%
200.0%	\$10.0	150.0%	200.0%



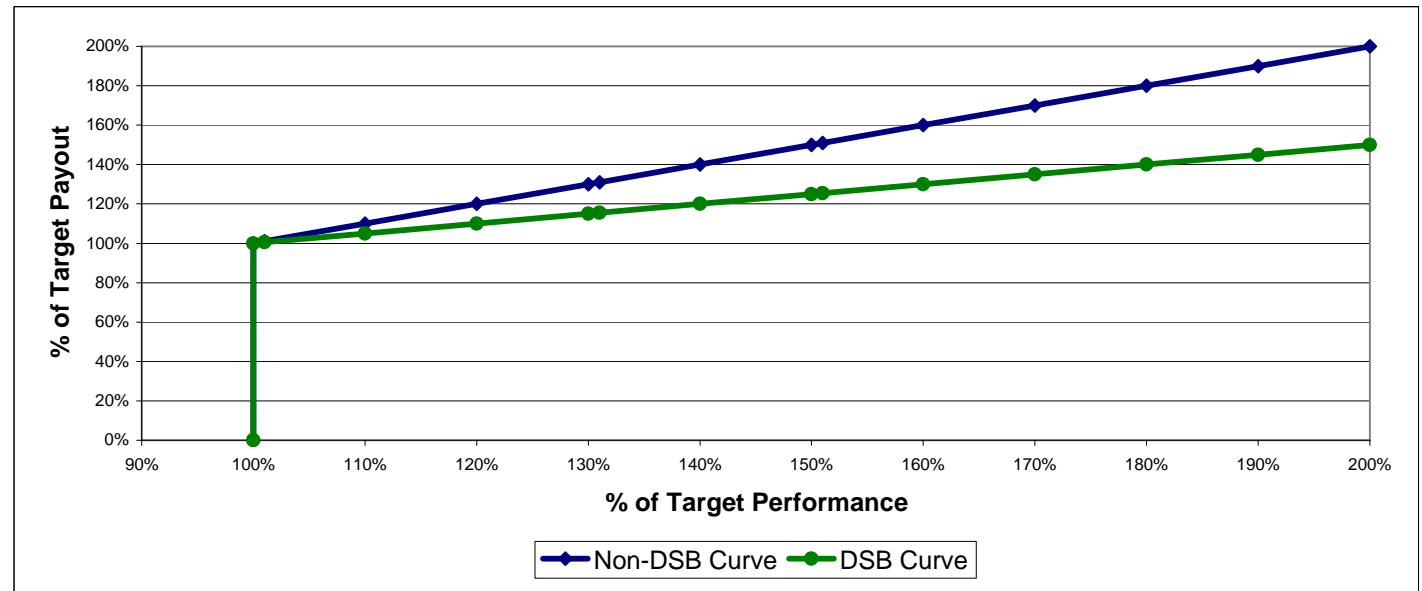
	Target	Maximum
EBITDAR	(\$411.0)	\$10.0
Performance %	100%	200%
Payout %	100%	200% / 150% DSB

% Performance	\$ Performance (in millions)	DSB % Payout	Non-DSB % Payout
100.0%	(\$58.0)	0.0%	0.0%
100.0%	(\$58.0)	100.0%	100.0%
101.0%	(\$56.9)	100.5%	101.0%
110.0%	(\$47.2)	105.0%	110.0%
120.0%	(\$36.4)	110.0%	120.0%
130.0%	(\$25.5)	115.0%	130.0%
131.0%	(\$24.5)	115.5%	131.0%
140.0%	(\$14.7)	120.0%	140.0%
150.0%	(\$3.9)	125.0%	150.0%
151.0%	(\$2.8)	125.5%	151.0%
160.0%	\$6.9	130.0%	160.0%
170.0%	\$17.7	135.0%	170.0%
180.0%	\$28.6	140.0%	180.0%
190.0%	\$39.4	145.0%	190.0%
200.0%	\$50.2	150.0%	200.0%



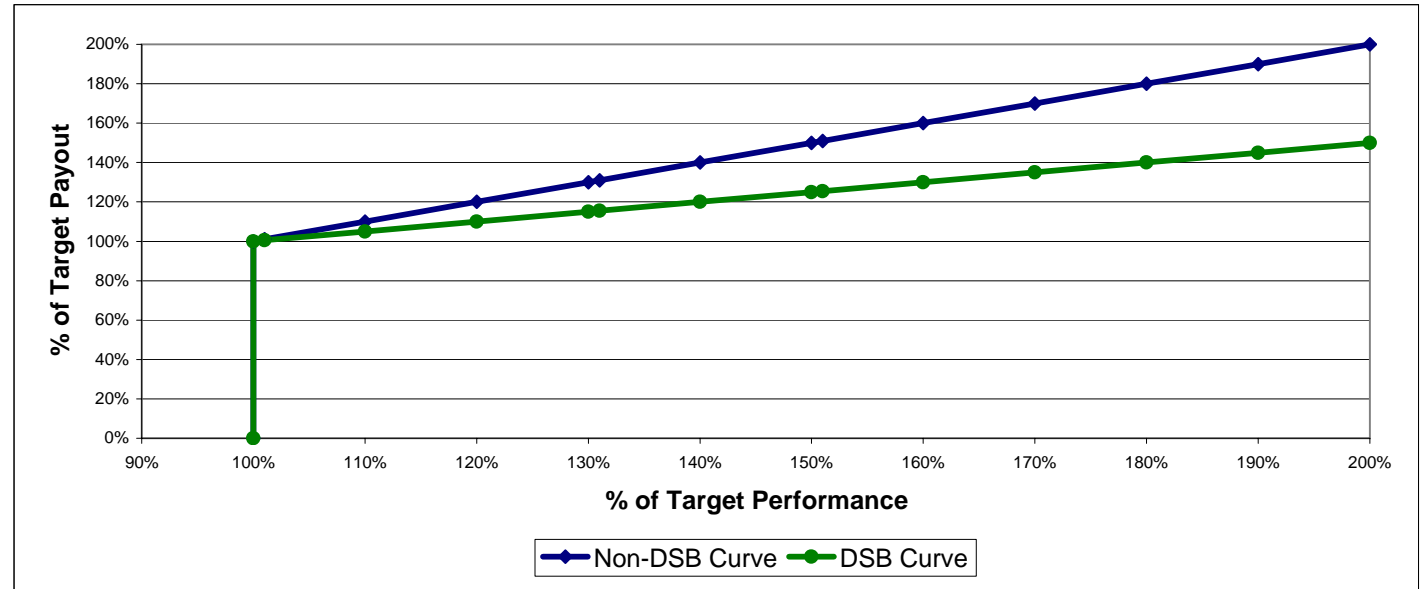
	Target	Maximum
OIBITDAR	(\$58.0)	\$50.2
Performance %	100%	200%
Payout %	100%	200% / 150% DSB

% Performance	\$ Performance (in millions)	DSB % Payout	Non-DSB % Payout
100.0%	(\$114.0)	0.0%	0.0%
100.0%	(\$114.0)	100.0%	100.0%
101.0%	(\$113.7)	100.5%	101.0%
110.0%	(\$110.6)	105.0%	110.0%
120.0%	(\$107.1)	110.0%	120.0%
130.0%	(\$103.7)	115.0%	130.0%
131.0%	(\$103.4)	115.5%	131.0%
140.0%	(\$100.3)	120.0%	140.0%
150.0%	(\$96.9)	125.0%	150.0%
151.0%	(\$96.5)	125.5%	151.0%
160.0%	(\$93.4)	130.0%	160.0%
170.0%	(\$90.0)	135.0%	170.0%
180.0%	(\$86.6)	140.0%	180.0%
190.0%	(\$83.1)	145.0%	190.0%
200.0%	(\$79.7)	150.0%	200.0%



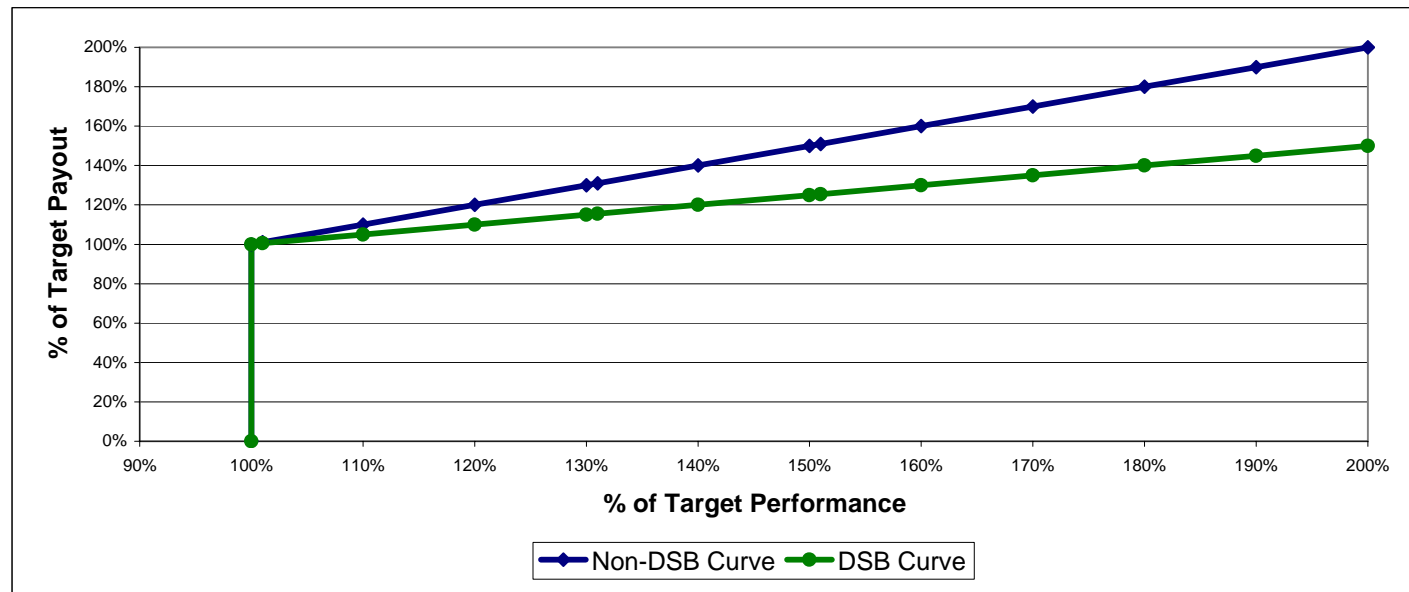
	Target	Maximum
OIBITDAR	(\$114.0)	(\$79.7)
Performance %	100%	200%
Payout %	100%	200% / 150% DSB

% Performance	\$ Performance (in millions)	DSB % Payout	Non-DSB % Payout
100.0%	(\$140.0)	0.0%	0.0%
100.0%	(\$140.0)	100.0%	100.0%
101.0%	(\$139.5)	100.5%	101.0%
110.0%	(\$134.6)	105.0%	110.0%
120.0%	(\$129.3)	110.0%	120.0%
130.0%	(\$123.9)	115.0%	130.0%
131.0%	(\$123.4)	115.5%	131.0%
140.0%	(\$118.6)	120.0%	140.0%
150.0%	(\$113.2)	125.0%	150.0%
151.0%	(\$112.7)	125.5%	151.0%
160.0%	(\$107.8)	130.0%	160.0%
170.0%	(\$102.5)	135.0%	170.0%
180.0%	(\$97.1)	140.0%	180.0%
190.0%	(\$91.8)	145.0%	190.0%
200.0%	(\$86.4)	150.0%	200.0%



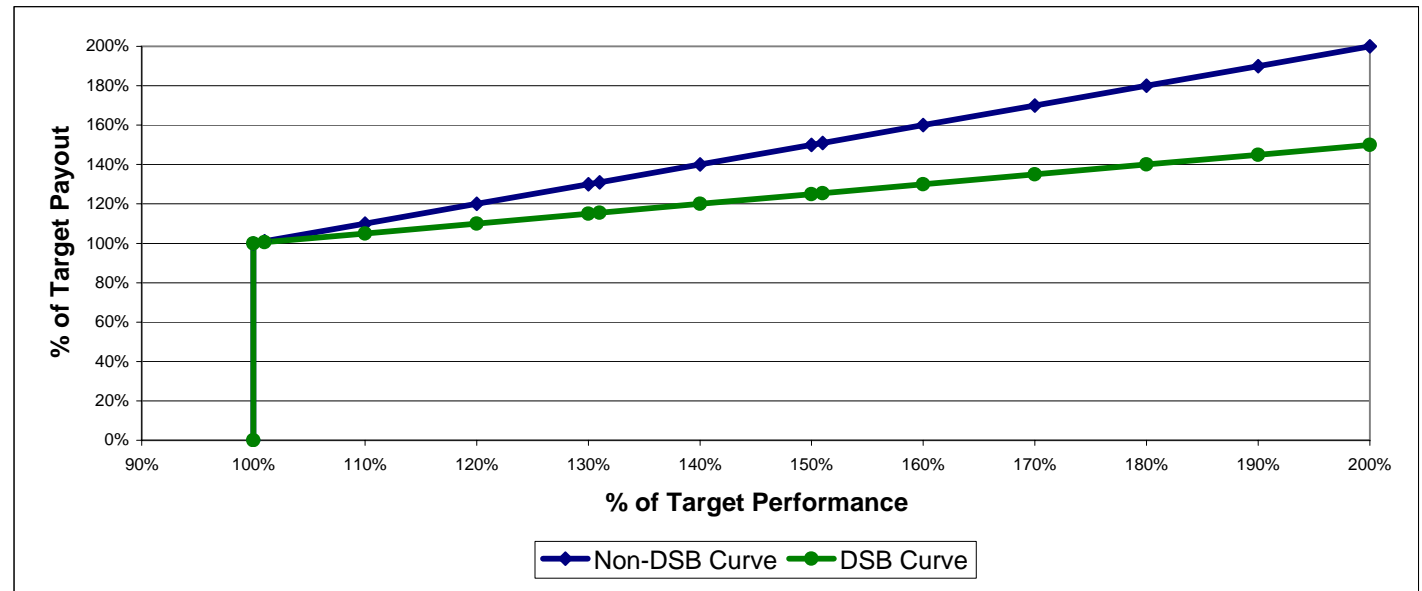
	Target	Maximum
OIBITDAR	(\$140.0)	(\$86.4)
Performance %	100%	200%
Payout %	100%	200% / 150% DSB

% Performance	\$ Performance (in millions)	DSB % Payout	Non-DSB % Payout
100.0%	\$179.0	0.0%	0.0%
100.0%	\$179.0	100.0%	100.0%
101.0%	\$180.0	100.5%	101.0%
110.0%	\$188.6	105.0%	110.0%
120.0%	\$198.3	110.0%	120.0%
130.0%	\$207.9	115.0%	130.0%
131.0%	\$208.9	115.5%	131.0%
140.0%	\$217.5	120.0%	140.0%
150.0%	\$227.2	125.0%	150.0%
151.0%	\$228.1	125.5%	151.0%
160.0%	\$236.8	130.0%	160.0%
170.0%	\$246.4	135.0%	170.0%
180.0%	\$256.0	140.0%	180.0%
190.0%	\$265.7	145.0%	190.0%
200.0%	\$275.3	150.0%	200.0%



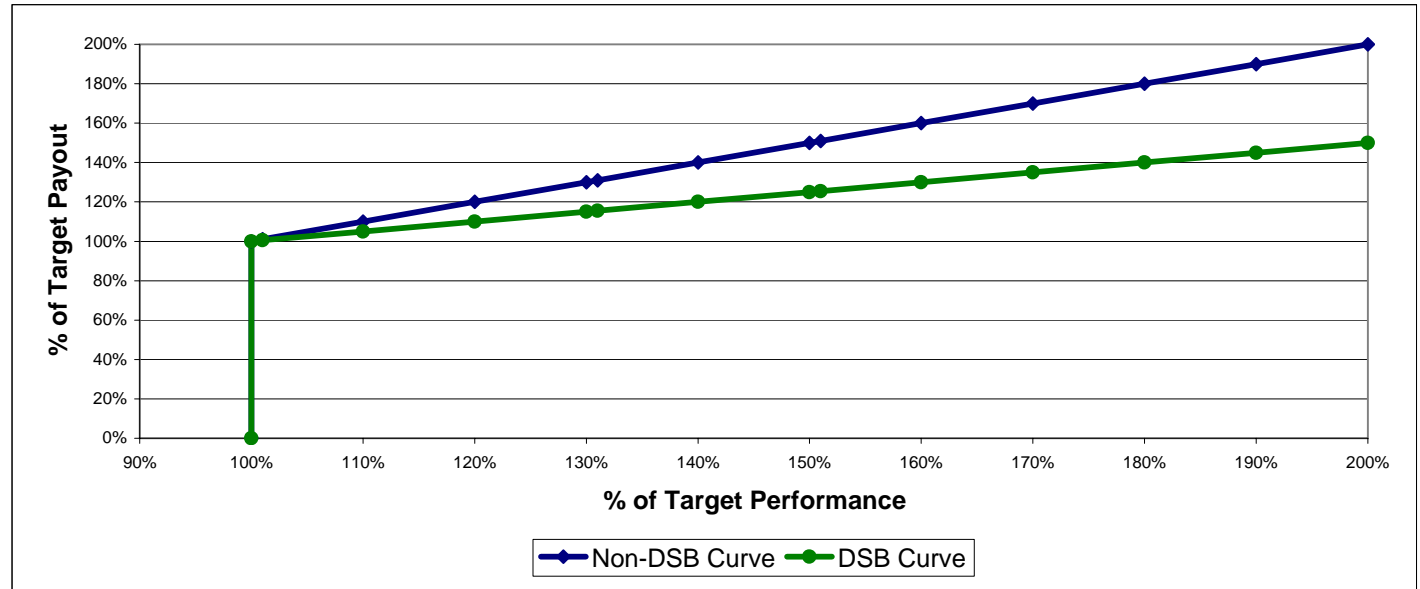
	Target	Maximum
OIBITDAR	\$179.0	\$275.3
Performance %	100%	200%
Payout %	100%	200% / 150% DSB

% Performance	\$ Performance (in millions)	DSB % Payout	Non-DSB % Payout
100.0%	(\$17.0)	0.0%	0.0%
100.0%	(\$17.0)	100.0%	100.0%
101.0%	(\$16.1)	100.5%	101.0%
110.0%	(\$7.6)	105.0%	110.0%
120.0%	\$1.9	110.0%	120.0%
130.0%	\$11.3	115.0%	130.0%
131.0%	\$12.2	115.5%	131.0%
140.0%	\$20.7	120.0%	140.0%
150.0%	\$30.2	125.0%	150.0%
151.0%	\$31.1	125.5%	151.0%
160.0%	\$39.6	130.0%	160.0%
170.0%	\$49.0	135.0%	170.0%
180.0%	\$58.4	140.0%	180.0%
190.0%	\$67.9	145.0%	190.0%
200.0%	\$77.3	150.0%	200.0%



	Target	Maximum
OIBITDAR	(\$17.0)	\$77.3
Performance %	100%	200%
Payout %	100%	200% / 150% DSB

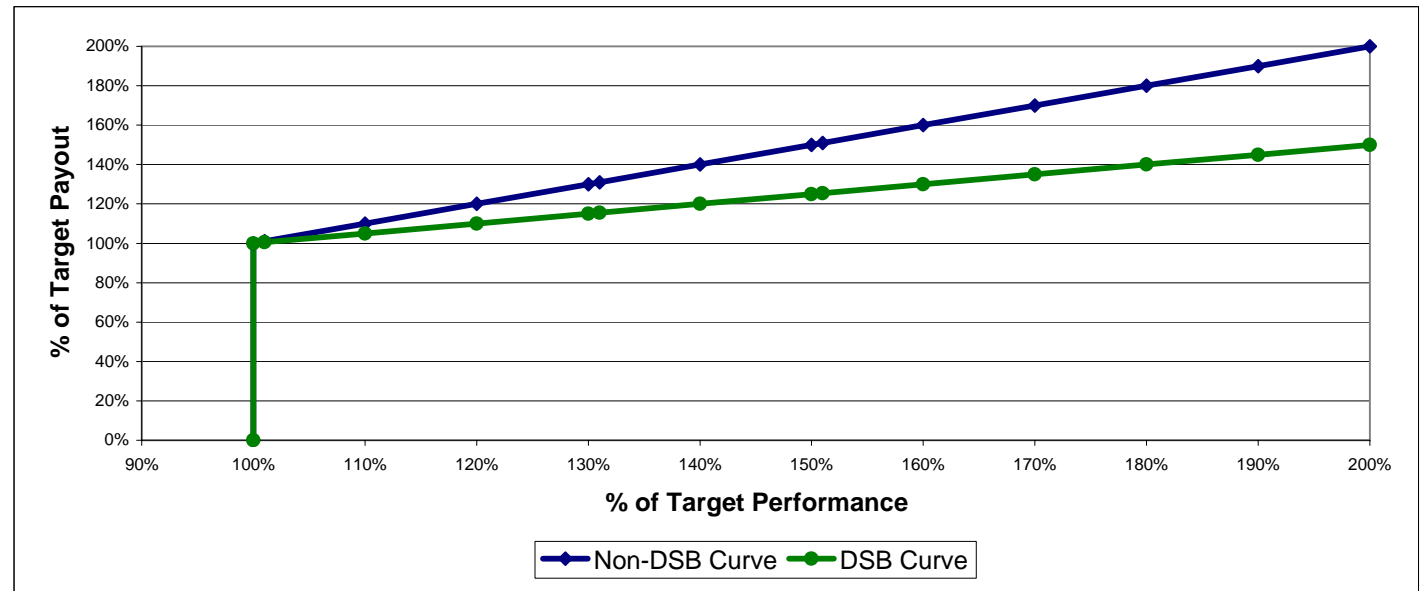
% Performance	\$ Performance (in millions)	DSB % Payout	Non-DSB % Payout
100.0%	\$22.0	0.0%	0.0%
100.0%	\$22.0	100.0%	100.0%
101.0%	\$22.3	100.5%	101.0%
110.0%	\$25.2	105.0%	110.0%
120.0%	\$28.3	110.0%	120.0%
130.0%	\$31.5	115.0%	130.0%
131.0%	\$31.8	115.5%	131.0%
140.0%	\$34.7	120.0%	140.0%
150.0%	\$37.9	125.0%	150.0%
151.0%	\$38.2	125.5%	151.0%
160.0%	\$41.0	130.0%	160.0%
170.0%	\$44.2	135.0%	170.0%
180.0%	\$47.4	140.0%	180.0%
190.0%	\$50.5	145.0%	190.0%
200.0%	\$53.7	150.0%	200.0%



	Target	Maximum
OIBITDAR	\$22.0	\$53.7
Performance %	100%	200%
Payout %	100%	200% / 150% DSB



% Performance	\$ Performance (in millions)	DSB % Payout	Non-DSB % Payout
100.0%	(\$634.0)	0.0%	0.0%
100.0%	(\$634.0)	100.0%	100.0%
101.0%	(\$633.7)	100.5%	101.0%
110.0%	(\$631.1)	105.0%	110.0%
120.0%	(\$628.1)	110.0%	120.0%
130.0%	(\$625.2)	115.0%	130.0%
131.0%	(\$624.9)	115.5%	131.0%
140.0%	(\$622.2)	120.0%	140.0%
150.0%	(\$619.3)	125.0%	150.0%
151.0%	(\$619.0)	125.5%	151.0%
160.0%	(\$616.4)	130.0%	160.0%
170.0%	(\$613.4)	135.0%	170.0%
180.0%	(\$610.5)	140.0%	180.0%
190.0%	(\$607.5)	145.0%	190.0%
200.0%	(\$604.6)	150.0%	200.0%



	Target	Maximum
OIBITDAR	(\$634.0)	(\$604.6)
Performance %	100%	200%
Payout %	100%	200% / 150% DSB

% Performance	\$ Performance (in millions)	DSB % Payout	Non-DSB % Payout
100.0%	(\$9.0)	0.0%	0.0%
100.0%	(\$9.0)	100.0%	100.0%
101.0%	(\$9.0)	100.5%	101.0%
110.0%	(\$8.9)	105.0%	110.0%
120.0%	(\$8.8)	110.0%	120.0%
130.0%	(\$8.8)	115.0%	130.0%
131.0%	(\$8.8)	115.5%	131.0%
140.0%	(\$8.7)	120.0%	140.0%
150.0%	(\$8.6)	125.0%	150.0%
151.0%	(\$8.6)	125.5%	151.0%
160.0%	(\$8.5)	130.0%	160.0%
170.0%	(\$8.4)	135.0%	170.0%
180.0%	(\$8.4)	140.0%	180.0%
190.0%	(\$8.3)	145.0%	190.0%
200.0%	(\$8.2)	150.0%	200.0%



	Target	Maximum
OIBITDAR	(\$9.0)	(\$8.2)
Performance %	100%	200%
Payout %	100%	200% / 150% DSB

# EXHIBIT B

### Objection Summary Chart

**Objections And Response To Supplement To KECP Motion (Docket No. 213) Seeking Authority To: (A) Fix Second Half 2006 AIP Targets And Continue AIP Program And (B) Further Adjourn KECP Emergence Incentive Program Hearing**

Party	Docket No.	Date	Summary
International Union of Electronic, Electrical, Salaried, Machine and Furniture Workers-Communication Workers of America ("IUE-CWA")	4524	07/12/06	<ul style="list-style-type: none"> <li>• The performance targets for the second half of 2006 are too low. So were the performance targets for the first half of 2006.</li> <li>• Implementing a short-term annual incentive program ("AIP") will complicate the Debtors' bargaining with the unions, the section 1113/1114 process, and the Debtors' ability to reorganize. The AIP is inconsistent with the notion of shared sacrifice among the Debtors' executives and union members.</li> <li>• The Debtors should have consulted with the unions before proposing the AIP.</li> <li>• The Debtors should seek authority for each six-month period separately. The interests of the Official Committee of Unsecured Creditors ("Creditors' Committee") are different from the unions'.</li> <li>• The Debtors should wait until emergence, or at least until the section 1113/1114 process is complete, to implement any additional AIP.</li> <li>• The Debtors have not established that their executive compensation is uncompetitive.</li> <li>• The AIP is essentially a retention program. Retention programs do not work well.</li> </ul>
United Steel, Paper and Forestry, Rubber, Manufacturing, Energy,	4526	07/12/06	<ul style="list-style-type: none"> <li>• The USW relies in part on its objections to the KECP Motion, filed on November 22, 2005 (Docket No. 1134).</li> </ul>

Party	Docket No.	Date	Summary
Allied Industrial and Service Workers, International Union ("USW")			<ul style="list-style-type: none"> <li>The performance targets for the first half of 2006 were too low. The Debtors' executives have received more compensation in 2005 and 2006 than in previous years.</li> <li>It is unfair to implement the AIP while the Debtors are asking for concessions from union members. USW members are already below the market rate identified in connection with the section 1113/1114 hearing. The AIP would make ratification of a revised collective bargaining agreement more difficult.</li> </ul>
Teachers' Retirement System of Oklahoma, Public Employees' Retirement System of Mississippi, Raiffeisen Kapitalange-Gesellschaft m.b.H, and Stichting Pensioenfonds ABP ("Lead Plaintiffs")	4528	07/12/06	<ul style="list-style-type: none"> <li>The prophylactic measures applicable to the first-half AIP should apply to any additional AIP implemented by the Debtors.</li> <li>The Debtors should not be granted open-ended authority to implement AIPs beyond the second half of 2006.</li> </ul>
International Brotherhood of Electrical Workers Local Union No. 663 ("IBEW"), International Association of Machinists and Aerospace Workers, Tool and Die Makers Local Lodge 78, District 10 ("IAM"), and International Union of Operating Engineers, Locals 18S, 101S, and 832S ("IUOE")	4529-4531	07/12/06	<ul style="list-style-type: none"> <li>It is unfair to implement the AIP while the Debtors are asking for concessions from union members. Implementing an AIP will complicate the Debtors' bargaining with the unions.</li> <li>The performance targets for the first half of 2006 were too low. So are the performance targets for the second half of 2006. Lower second-half performance targets will increase the cost of the AIP.</li> <li>The Debtors have not established that the AIP is needed to make executive compensation competitive or to reduce executive turnover.</li> <li>The Debtors should not be granted open-ended authority to implement AIPs beyond the second half of 2006. The Debtors should consult with the unions.</li> </ul>

Party	Docket No.	Date	Summary
			<ul style="list-style-type: none"> <li>• The Debtors should wait until emergence to implement any additional AIP.</li> <li>• The AIP is a retention program that violates the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005.</li> </ul>
International Union, United Automobile, Aerospace, and Agricultural Implement Workers of America ("UAW")	4556	07/14/06	<ul style="list-style-type: none"> <li>• The performance targets for the first half of 2006 were too low. So are the performance targets for the second half of 2006. The Debtors' first-half performance is not attributable to the AIP.</li> <li>• Implementing an AIP will complicate the Debtors' bargaining with the unions and the section 1113/1114 process. It is unfair to implement an AIP while the Debtors are asking for concessions from the unions.</li> <li>• The Debtors should wait until later in the case to implement any additional AIPs.</li> <li>• The Court should view with skepticism the work of compensation consultants.</li> <li>• The Debtors should seek authority for each six-month period separately. The Creditors' Committee does not represent all constituents, and its judgment should not be substituted for the Court's.</li> </ul>